



**OFFICE MARKET**  
**In the beginning of 2018**



in association with **CORFAC** International

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# THE OFFER

At the beginning of 2018, the office stock available for rent in Bucharest is **682.000 sqm**, **84%** of which located in **business centers** (A, B and C class) and **16%** in **villas or similar buildings**.

**Notes:** In this volume of spaces available for rent are included only the buildings delivered/ completed by the end of 2017.

The data is extracted from the ESOP database, probably the most extensive offices portfolio of a real estate company in Bucharest.

## BUSINESS CENTERS

The total office stock in Bucharest amounts to over 3,28 million square meters at the beginning of 2018, out of which over 2,85 million square meters in A and B class buildings.

### THE AVAILABLE STOCK IN THE EXISTING BUILDINGS

Out of the stock of available space for rent, approx. 41% are in A / A- Class business centers (of which only 7% are prime locations, the rest in central and semi-central locations), 37% are B Class, respectively 22% C Class buildings.

**The largest office stock available** in completed buildings is located in the Central-North area (Aviatorilor - Caramfil - Barbu-Vacarescu perimeter), namely 155.000 sqm, representing 27% of the available space stock), followed by the North area (Baneasa, Pipera) with 107.200 sqm, respectively the Central-West area, with 73.100 sqm available.

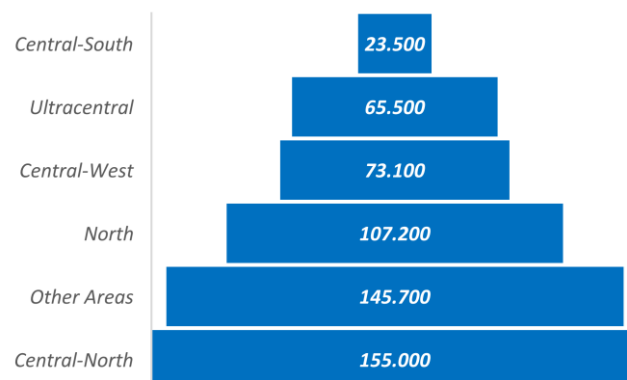
### DELIVERIES IN 2017 IN BUCHAREST

During 2017 was delivered a total volume of approx. 144.000 sqm office spaces, of which 45% in the Central-West area, unlike the previous years when the Central-North area had the largest share. In 2017, the Central-North area recorded 26%, followed by South-Central area with 24%.

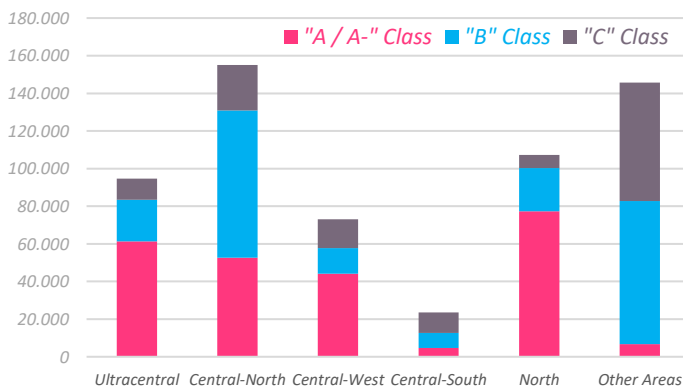
### OFFICE STOCK AVAILABLE FOR RENT (beginning of 2018)



### Business Centers - Available Spaces, By AREA (sqm)



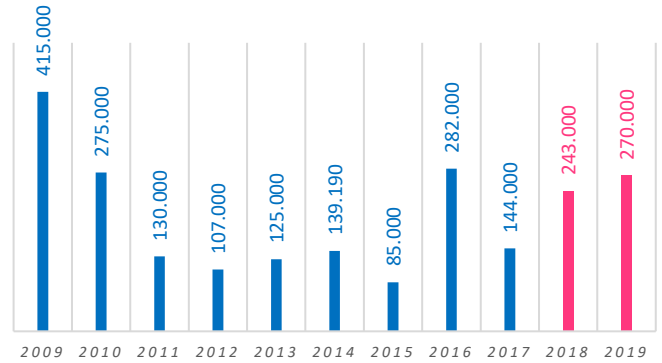
### Business Centers - Available spaces, by CLASS and AREA



### Business Centers - Main Projects Delivered in 2017

PROJECT NAME	SURFACE (SQM)	AREA	LOCATION
The Bridge - Phase I	36.871	CENTRAL-WEST	Grozavesti
Globalworth Campus - Cladirea A	28.600	CENTRAL-NORTH	Pompei
Timpuri Noi Square II Sema Parc - Cladirea Berlin	15.701	CENTRAL-WEST	Independentei
Timpuri Noi Square I Sema Parc - Cladirea Paris	14.280	CENTRAL-SOUTH	Timpuri Noi Splaiul Independentei
Park Avenue	6.800	CENTRAL-NORTH	Aviatorilor
BOOKASE	2.993	ULTRACENTRAL	Dorobanti

## BUSINESS CENTERS - ANNUAL DELIVERIES 2009-2019



More than 77% the projects delivered in 2017 were rented by the end of the year.

It should be noted that the volume of deliveries announced at the beginning of 2017 was approx. 246.000 sqm. From this estimate, 102.000 sqm offices were delayed for the first half of 2018 (of which 80% in 3 major projects), thus registering a double percentage of postponed projects, compared to the annual average rate (ranging between 15 to 20%).

### DELIVERIES ESTIMATED FOR 2018-2019 IN BUCHAREST

For 2018, more than 243.000 sqm of office space is expected to be completed in business centres, while a total volume of 270.000 sqm is announced for 2019.

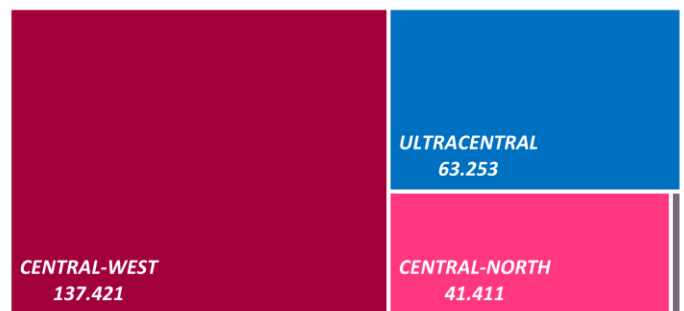
However, as in previous years, some of these spaces may register certain delays in completion.

Approx. **38% of the offices to be delivered in 2018 are already pre-leased, along with 9% of those scheduled for 2019.**

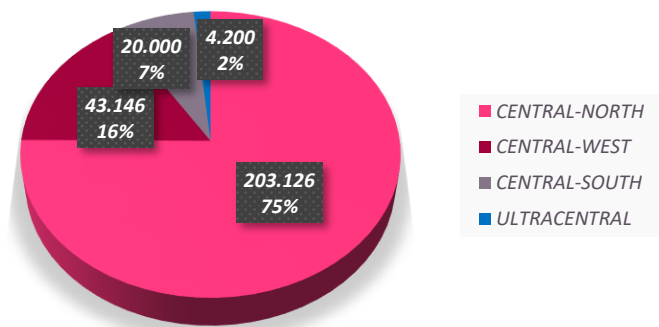
In 2018 most new projects will be delivered also in the Central-West area, with 137.421 sqm (56%), followed by the Ultracentral area, with 63.253 sqm (26%) and the Central-North - 41.411 sqm (17%).

In 2019 the Central-North area will dominate the volume of deliveries, with approx. 75% of the spaces announced to be delivered (namely 203.126 sqm), given the delivery of the first projects in the Exhibition - Presei Libere Square area, amounting approx. 80.000 sqm.

### BUSINESS CENTERS - DELIVERIES FOR 2018, by AREAS (sqm)



### BUSINESS CENTERS - DELIVERIES FOR 2019, by AREAS (sqm)



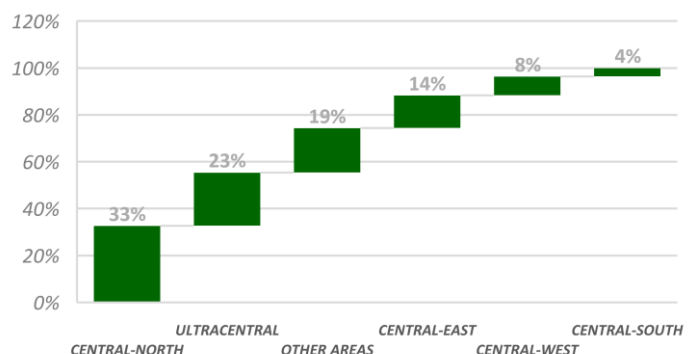
## SPACES IN VILLAS

The stock of office spaces available in villas in the ESOP portfolio at the beginning of 2018 is of approx. 112.000 sqm.

More than 33% of these spaces are located in buildings in the North-Central area, and approx. 23% of them in the Ultracentral area.

In the past 3 years, the demand for space in villas has declined progressively, with companies – often even the start-ups - preferring the business centers.

### VILLAS - Structure by AREA of the available spaces



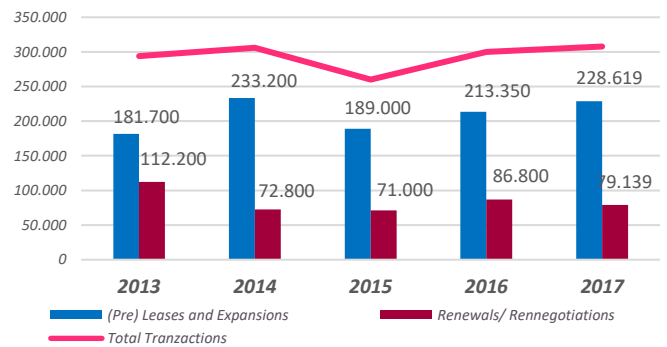
# THE DEMAND

In Bucharest, the office volume traded in 2017 was at a level of approx. 308.000 sqm, slightly higher compared to the 2016 transactions, and by 6,6% higher than the the last 3 years average level.

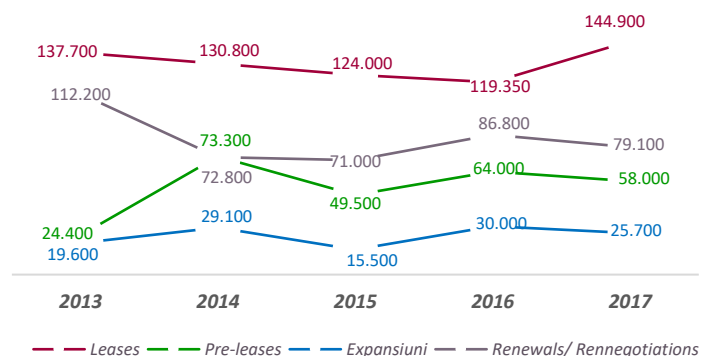
**Notes:** The information within this chapter is based on the data collected within The Research FORUM of the main commercial real estate companies in Romania, of which ESOP is part.

Of the total transactions, the Renewal/Renegotiations represented only approx. 26% (79.000 sqm), while 74%, namely 229.000 sqm were represented by the (Pre) Lease and Expansion transactions.

Transactions between 2013-2017



TRANSACTIONS EVOLUTION BETWEEN 2013-2017, BY CATEGORY



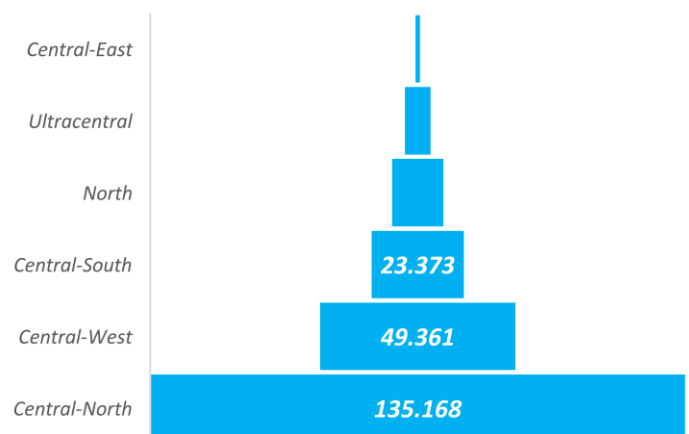
YEAR	2011	2012	2013	2014	2015	2016	2017	Variation 2017 vs 2016	
Leases	159.000	90.500	137.700	130.800	124.000	119.350	144.900		21%
Pre-leases	38.800	59.300	24.400	73.300	49.500	64.000	58.000	-9%	
Expansions	13.700	18.600	19.600	29.100	15.500	30.000	25.700	-14%	
(Pre) Leases and Expansions	211.500	168.400	181.700	233.200	189.000	213.350	228.600		7%
Renewals/ Rennegotiations	51.900	70.500	112.200	72.800	71.000	86.800	79.100	-9%	
Total Transactions	263.400	238.900	293.900	306.000	260.000	300.150	307.700		3%

## (PRE) LEASES AND EXPANSIONS, BY AREA

Nearly 60% of total Pre-Lease and Expansion transactions were made in the Central-North area, amounting 135.000 sqm. The second place is taken by in the Central-West area, with over 49.000 sqm, representing about 22%, the area being in full ascension in the context of important deliveries of new projects in 2017 and in the near future.

The lowest activity level (0,55%) was registered in the Central-Eastern area, which is a significantly less developed perimeter on the office market.

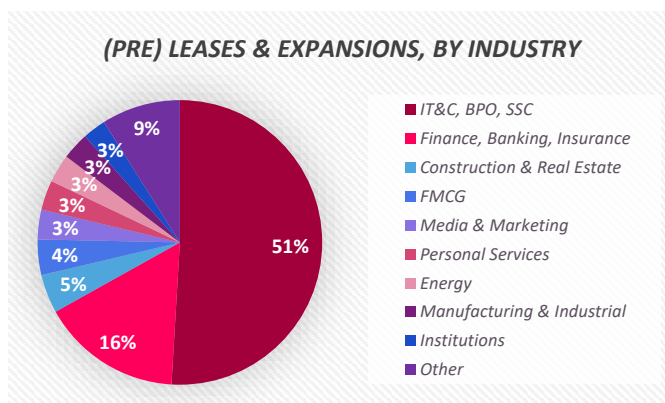
(PRE) LEASES & EXPANSIONS, BY AREA



## (PRE) LEASES AND EXPANSIONS, BY INDUSTRY

In 2017, the office market engine continues to remain the **IT&C, BPO & SSC segment**, accounting for 51% of the transactions.

The next major segment was **Finance, Banking, Insurance** with a share of 16%, while areas such as **Construction & Real Estate**, **FMCG** or **Media & Marketing** had proportions between 3 and 5%.



## (PRE) LEASES AND EXPANSIONS, BY SURFACES

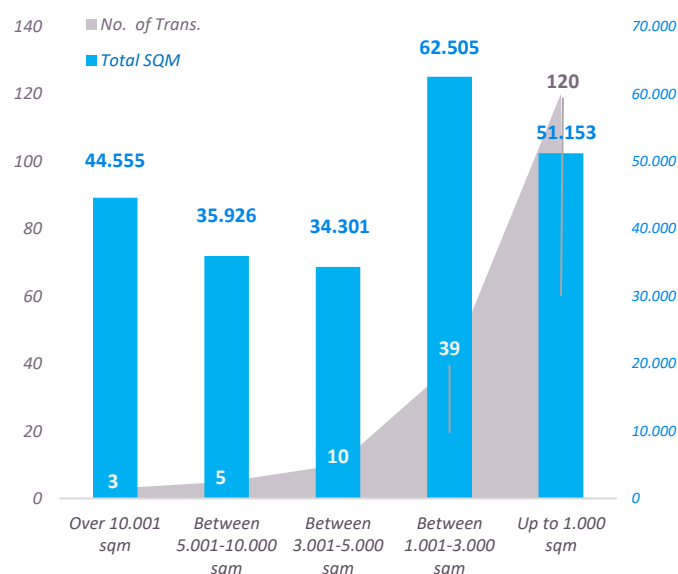
The transactions between 1.000-3.000 sqm had the largest share in 2017, respectively 27%, followed by those under 1.000 sqm, with 22%. Four transactions of more than 10.000 sqm have summed approx. 20% of Pre-Lease and Expansions.

Transactions	No. of Trans.	Total SQM	% (SQM)
Over 10.001 sqm	3	44.555	20%
Between 5.001-10.000 sqm	5	35.926	16%
Between 3.001-5.000 sqm	10	34.301	15%
Between 1.001-3.000 sqm	39	62.505	27%
Up to 1.000 sqm	120	51.153	22%
<b>TOTAL</b>	<b>177</b>	<b>228.440</b>	<b>100%</b>

## Transactions for large surfaces in 2017:

COMPANY	SURFACE (sqm)	PROJECT
ING Bank	19.000	Expo Business Park
Amazon	13.555	Globalworth Campus – Bldg. A
IBM	12.000	The Bridge – Phase I
Bitdefender	9.250	Orhideea Tower
NXP	7.617	Campus 6.1
Stefanini	6.750	Globalworth Campus
Huawei	6.700	Globalworth Tower
Casa de Asigurari de Sanatate a Municipiului Bucuresti	5.609	PC Center II
UiPath	4.600	The Landmark
Lukoil Technology Services Romania	4.244	Agrovet BC
Kruk Romania	4.000	Timpuri Noi Square

## (Pre) Leases and Expansions, by SURFACE

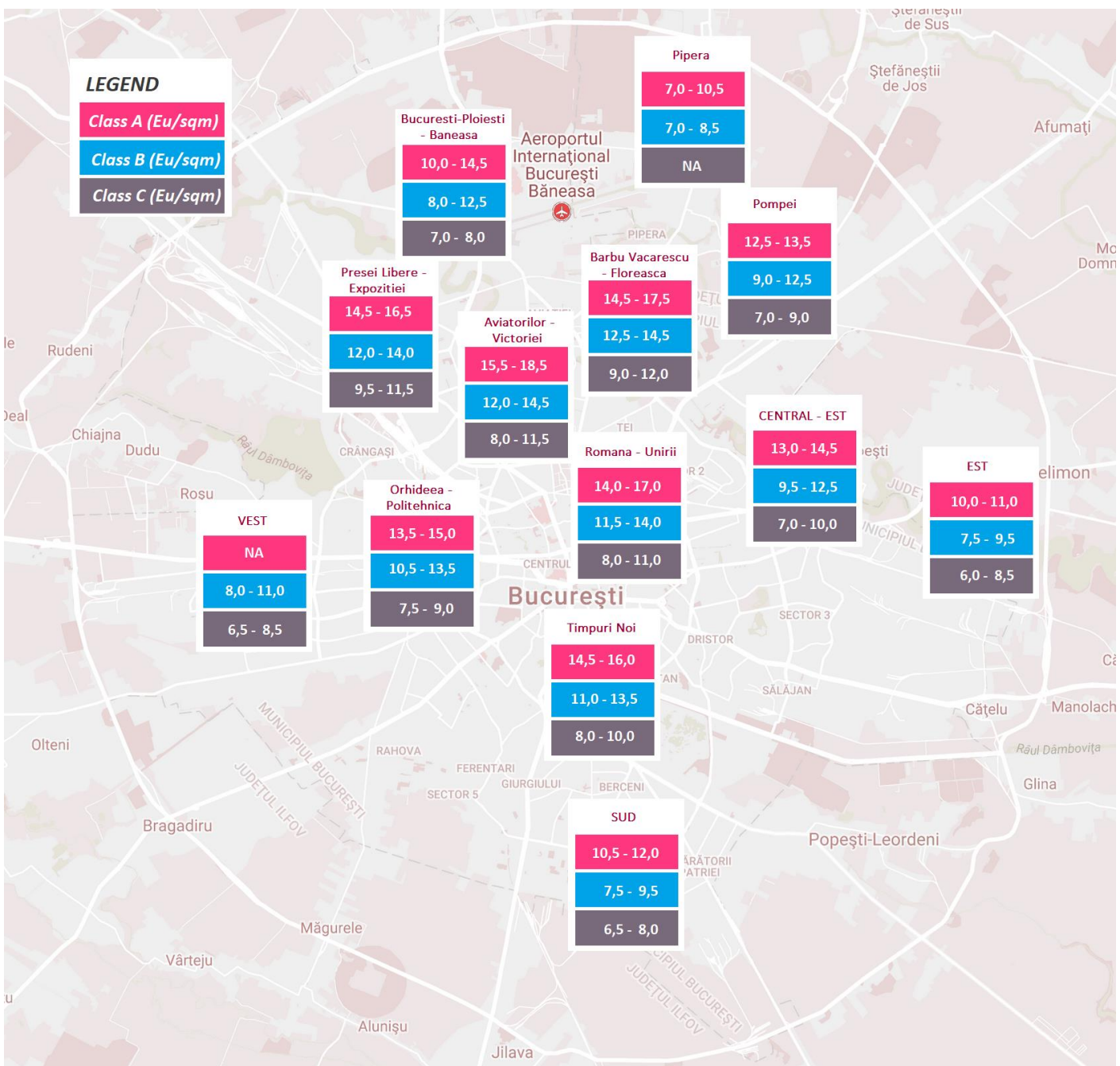




# COMMERCIAL TERMS

**RENT LEVELS IN BUSINESS CENTERS BEGINNING OF 2018.** Rents in office buildings have **remained relatively stable** over the last 12 months, prospects that remain also for the year 2018. An assessment of rent levels is outlined below, considering the business centers with available spaces for lease or pre-lease, by areas and classes. We notice extensive margins in most office areas for same class of property, the differences resulting mainly from the **proximity of the subway station** of each building and its **positioning /visibility**.

## Asking Rent Margins, by Classes, in main Areas



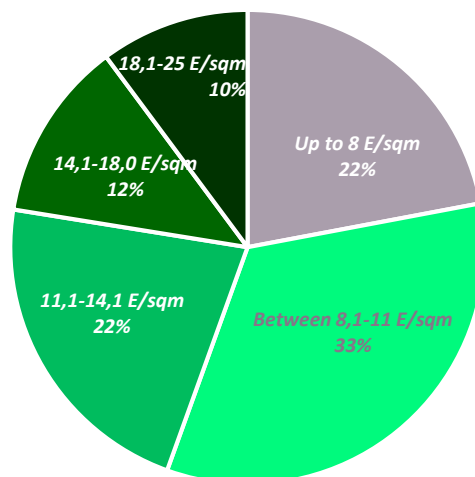
**HEADLINE versus NET EFFECTIVE.** It is maintained further the Landlord’s policy of providing incentives – like rent free period and fit-out contribution. The difference between headline and net effective rents varies between 10-18%, depending on the area and the moment of contracting the space. Such incentives significantly influence the tenants’ relocation decision.

**RENT LEVELS IN VILLAS.**

For villas, whose demand is on a downward trend, rents vary widely, depending on the location and quality standard. The highest rents are found in patrimony villas, those renovated to a high standard reaching levels between 18-25 Euros / sqm. It is a delicate segment, because both supply and demand are limited.

The rent level for more than half of the villas is between 8 - 14 Euros / sqm, usually these are new or renovated buildings in relative central areas. Non-renovated or peripheral areas usually have rents below 8 Euros / sqm.

*Rent levels for spaces in Villas*



Area	Building type	Rent level asking (Eu/sqm/mont) *)	Maintenance expenses	Contract duration	
<b>Villas</b>	<i>Patrimony Villas</i>	16,0 - 5,0	3,0 - 3,5	minimum 3 years	
	<b>Central</b> <i>New or renovated Villas</i>	12,0 - 15,0	2,5 - 3,0	2 – 3 years	
	<i>Non-renovated Villas</i>	7,0 – 12,0	2,5 - 3,1	1 - 3 years	
	<b>Demi-Central</b>	<i>New or renovated Villas</i>	11,0 - 13,5	2,5 - 3,2	2 - 3 years
		<i>Non-renovated Villas</i>	6,0 – 10,5	2,5 - 3,0	1 - 3 years

\*) Asking rent level, before negotiation

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# FORECAST

**The enriched offer in 2018 and 2019 will lead to increased transactions.** The market will remain dynamic in 2018, and the completion of 243.000 square meters office spaces (of which more than 102,000 postponed from 2017) will boost the rentals volume. The mature companies and a large part of the young and dynamic companies in the market will focus especially on the new office projects, a trend characteristic of the economic expansion periods.

Considering that 38% of the 2018 deliveries are already leased, some of the companies will prefer to secure contracts in the projects to be delivered in the following year. With pre-lease level of only 9% in the beginning of 2018, 2019 offers numerous pre-lease alternatives that are more financially flexible, opportunity window that will only be maintained for a limited time.

**The IT&C, BPO and SSC segment are further on top of the office market.** Overall, the Bucharest office market has confirmed through the past 5 years track record (Pre) Rentals and Extensions levels ranging from 180.000 to 230.000 sqm/year. We estimate that in 2018 these transactions will be able to register a 25-30% increase compared to 228.600 sqm in 2017, if the labour market is not blocked, and if the IT&C, BPO and SSC does not slow down its growth rate in Bucharest.

**Bucharest gets placed on a more organic development matrix. Business areas consolidating or opening: Politehnica – Orhideea (in Central-West), Timpuri Noi (Central-South) and from 2018, Expozitie-Presei Libere Square (Central-North).** The Central-West area, with a stock of A Class spaces estimated to exceed 400.000 sqm by the end of 2019, of which over 60% of properties delivered after 2017, is certainly the second largest business area, after the Central-North perimeter.

In 2017, the Timpuri Noi Square project successfully opened a new office area in the South-Central area of the capital. Companies that choose Timpuri Noi Square - Phases I and II, or those evaluating the third phase that will be delivered in Q1 2019, appreciate, besides the high standard of the construction, the employees enhanced accessibility from the classical residential areas (the west – south - east ring) and last but not least, proximity to the city center.

The North-Central Area develops with a new business district, **the Expozitiei – Presei Libere pole**, starting in 2019, when over 80.000 sqm are announced for delivery. We think this new supply will put pressure on the offices lower in quality from the north area, or on those from Pipera area (having good quality, yet more difficult access).

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# About ESOP Consulting | CORFAC International

With more than 16 years of experience, more than 400,000 sqm of traded offices, ESOP is one of the most reputable and trusted real estate companies in Romania, and the only company with local capital among the main brokers in the commercial segment.

## Locally Owned. Globally Connected.

Starting from 2013, ESOP is working in conjunction with **CORFAC International - Corporate Facility Advisors** - an alliance of entrepreneurial real estate companies committed to providing quality services at local, national and international levels. CORFAC has 46 companies in the United States, 4 in Canada and 27 in international markets, including Australia, Great Britain, Switzerland, Colombia, France, Germany, Romania, Ireland, Israel, Italy, Mexico, Russia and South Korea. Companies in CORFAC have more than 11,000 rental and sales transactions each year, amounting to more than 46 million square meters, and worth over 7.5 billion Euros.



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